

TOWN OF LYMAN
Skagit County, Washington
January 1, 1993 and December 31, 1994

Schedule Of Findings

1. Town Officials Should Prepare And Submit Timely, Complete, And Accurate Annual Reports

At the time we began our audit on September 6, 1995, town officials had not prepared complete annual financial reports for 1993 or 1994. The following statements and schedules were due at the end of May 1994 for fiscal year 1993 and the end of May 1995 for fiscal year 1994.

Statement C-4, Fund Resources and Uses Arising From Cash Transactions
(Detailed)

Statement C-5, Fund Resources and Uses Arising From Cash Transactions
(Summarized)

Schedule 07: Schedule of Warrant Activity

Schedule 08: Schedule of Real and Personal Property Taxes

Schedule 11: Operation of Cash

Schedule 12: Operation of Investments

RCW 43.09.240 states in part:

. . . Every public officer and employee shall keep all accounts of his office in the form prescribed and make all reports required by the state auditor. (Emphasis ours.)

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor . . . Such reports shall be prepared, certified, and filed . . . within one hundred fifty days after the close of the fiscal year. (Emphasis ours.)

Timely, complete, and accurate reports were not prepared due to staff inexperience and lack of time.

Late, incomplete, and inaccurate reports cause users of the report to be denied access to the town's financial information. Users and their concerns include:

- a. The Washington State Legislature, which receives a copy of the annual volume of comparative statistics for all municipalities, published pursuant to RCW 43.09.230.

- b. The general public, which is interested in reports on the cost of public services.
- c. The State Auditor's staff, which finds that the absence of and the inaccuracy of financial reports causes delays in audit work, and accordingly, audit time and cost are significantly increased.
- d. Town council members, whose use of the report as a management tool is diminished when the report is not issued timely.

We recommend the town officials ensure the timely, complete, and accurate preparation and filing of annual reports.

2. The Town Of Lyman Should Improve Controls Over Billings And Cash Receipts

Our review of the internal controls over billing and receipting systems identified weaknesses including:

- a. Two missing receipts without adequate explanation.
- b. Inadequate records maintained to document amounts billed, adjusted, paid and outstanding for planning, permit and water hook-ups.

These weaknesses increase the risk of errors or irregularities occurring without being detected in a timely manner, if at all.

Out of eleven properties receiving planning, permit and/or water hook-up services, correspondence files were reviewed for expected revenue and traced to a corresponding receipt. Based on expected revenue of \$5,979, we identified \$365 for which no corresponding receipt could be located. All of the identified exceptions are attributable to 1993 or the first 3 months of 1994. While activity was minimal, all of the identified transactions involving planning, permit and water hookup revenue were accounted for after March 1994.

Permit and planning fees were formally adopted by the Town of Lyman in July 1993. The town's clerk was hired in September 1993. At that time, no system for handling permits and plans had been established. The lack of controls were further exacerbated due to poor communication between the town planner and the town clerk causing the clerk to be unaware of what revenues should be collected.

RCW 43.09.200 states:

The state auditor, through such division, shall formulate, prescribe, and install a system of accounting and reporting, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

We recommend the town improve internal controls as follows:

- a. Retain copies of all receipts including the customer's copy of voided receipts.
- b. Maintain billing records for all transactions, record receipts when received, and

periodically monitor for delinquent accounts. Any actions taken to collect delinquent accounts or to adjust billings should be documented.